

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF WESTERN) CASE NO. 8839-Q
KENTUCKY GAS COMPANY)

O R D E R

On December 1, 1983, the Commission issued its Order in Case No. 8839 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

On July 9, 1985, Western Kentucky Gas Company ("Western") notified the Commission that it had received refunds from its suppliers, Texas Gas Transmission Corporation ("Texas Gas") and Tennessee Gas Pipeline Company ("Tennessee Gas"), and that it had overcollections due its customers. It submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with this Commission.

Due to the large amount of the refund and the fact that the normal 4-month refund period would occur primarily during non-heating months, Western has proposed a refund factor to be effective for 12 months rather than the standard 4 months.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) Western has received refunds from its suppliers in the amounts of \$315,379 from Texas Gas and \$11,310 from Tennessee Gas

to be refunded to its customers.

(2) Due to an out-of-time rate reduction by Texas Gas effective July 1, 1985, Western estimates that it will collect \$366,518 in excess revenues from its customers during the month of July, 1985.

(3) Western's purchased gas adjustment clause on file with this Commission provides that in the event of any large or unusual refunds Western may apply for the right to depart from its normal refund procedure.

(4) Western has a large amount to refund to its customers at this time and in the interest of returning these dollars, as nearly as possible, to those from whom they were collected (heating and non-heating customers), Western should be allowed to extend its refund over a 12-month period rather than the usual 4 months.

(5) A refund factor of \$0.0185 per Mcf should be used as a reduction in the purchased gas adjustment. The refund factor should remain in effect for 12 months or until such time as the full amount plus interest has been returned to Western's customers. The refund should begin with meter readings taken on August 1, 1985, or as soon as practical thereafter.

(6) Western should refund the amount reported in its application plus interest at a rate equal to the average of the "3-Month Commercial Paper Rates" for the immediately preceding 12-month period less 1/2 of 1 percent to cover the costs of refunding. These monthly rates are reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

IT IS THEREFORE ORDERED that Western shall apply refund factor in the amount of \$0.0185 per Mcf as a reduction in the approved purchased gas adjustment beginning with meter readings taken on August 1, 1985, or as soon as practical thereafter, and this refund factor shall remain in effect until such time as necessary so that the total amount refunded will, as nearly as possible, reflect the amount received. The refund factor will terminate when the amount refunded equals the refund herein reported plus interest.

IT IS FURTHER ORDERED that within 30 days of the date of this Order Western shall file with this Commission its revised tariffs setting out the refund factor authorized herein. All other rates and charges shall remain in full force and effect.

IT IS FURTHER ORDERED that within 30 days from the date the refund factor is terminated Western shall file with this Commission a summary statement showing a reconciliation of customer billings and the amount refunded.

Done at Frankfort, Kentucky, this 22nd day of July, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary